

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L USNATO 1476

E.O. 11652: GDS

TAGS: PFOR, ECON, NATO

SUBJECT: ECONADS: NATO AND WARSAW PACT-STRATEGIC AND POLITICAL
IMPLICATIONS OF ECONOMIC SITUATION

REF: USNATO 831

SUMMARY: AT ECONOMIC COMMITTEE MEETING MARCH 13, ECONADS HAD
FIRST EXCHANGE OF VIEWS ON SUBSTANCE OF US PAPER ON STRATEGIC
AND POLITICAL IMPLICATIONS OF THE ECONOMIC SITUATION (AC/127-
WP/423.) BELGIAN, FRG, NETHERLANDS AND UK DESL EXPRESSED BROAD
AGREEMENT WITH US PAPER AND LATTER THREE DISTRIBUTED NOTES
WITH MORE DETAILED VIEWS OF THEIR GOVERNMENTS (SEPTELSLM CANADA
EXPECTS TO PROVIDE NATIONAL VIEWS WITHIN NEXT FEW DAYS.
ECONADS WILL MEET OVER NEXT TWO WEEKS TO PRODUCE PAPER
FOR SUBMISSION TO SPC BY MID-APRIL IF POSSIBLE.
END SUMMARY.

1. FRG REP SAID HIS GOVERNMENT WELCOMES DISCUSSION IN NATO OF
ECONOMIC ASPECTS OF ALLIANCE SECURITY WHICH WILL PROMOTE
REALIZATION OF INTERDEPENDENCY OF MILITARY, POLITICAL, AND
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ECONOMIC DEVELOPMENTS. HE SAID THAT IN AGREEMENT WITH US, FRG
SEES ALLIANCE ENDANGERED BY DEVELOPMENTS WHICH COULD UPSET
ECONOMIC AND POLITICAL ORDER IN MEMBER COUNTRIES AND WEAKEN
PUBLIC WILLINGNESS TO MAINTAIN NECESSARY DEFENSE BURDENS.

FRG BELIEVES STUDY SHOULD NOTE ALLIANCE VULNERABILITY DUE TO (A) STRONG DEPENDENCY ON RAW MATERIAL IMPORTS FROM OUTSIDE TREATY AREA, (B) DANGER OF RELAPSE INTO ISOLATIONISM AND PROTECTIONISM, AND (C) THE UNTIMELY DOMESTIC DEVELOPMENTS OF RECESSION, UNEMPLOYMENT, UNFLATION, AND POSSIBLE POLITICAL RADICALIZATION.

2. UK REP SAID HIS GOVERNMENT FOUND US PAPER GENERALLY EXCELLENT AND AGREED WITH OVERALL ASSESSMENT. HE AGREED DISTRIBUTE DETAILED COMMENTS RELATING TO SPECIFIC PARAGRAPHS.

3. DUTCH DEL SAID THAT ALTHOUGH NETHERLANDS GOVERNMENT AGREES WITH US PAPER, GON WOULD SUGGEST REVISED OUTLINE FOR STUDY AND EXTENSION OF TIME FRAME BEYOND 1976. GON BELIEVES OBJECTIVES OF ECONOMIC ANALYSIS SHOULD BE THREE-FOLD; (A) TO ARRIVE AT FORECAST OF ECONOMIC EXPECTATIONS OF ALLIANCE AS A WHOLE, REGIONS WITHIN NATO AREA (SUCH AS NORTH AMERICA, WESTERN EUROPE, AND SOUTHERN EUROPE), AND WARSAW PACT BASED ON DETAILED ANALYSIS OF INFLATION, BALANCE OF PAYMENTS, UNEMPLOYMENT, AND GNP GROWTH. (B) TO EXAMINE POSSIBLE CONSEQUENCES FOR EAST-WEST ECONOMIC RELATIONS AND EFFECTS ON BROADER EAST-WEST RELATIONS. (C) TO ANALYSE CONSEQUENCES OF ECONOMIC DEVELOPMENT FOR RESOURCES AVAILABLE FOR DEFENSE. GON WOULD PREFER NOT TO ENGAGE IN DEEP ANALYSIS OF CONSEQUENCES FOR POLITICAL COHESION AND STABILITY OF ALLIANCE NOR OF RELATIONS WITH OIL-PRODUCING AND DEVELOPING COUNTRIES.

4. BELGIAN REP EXPRESSED GENERAL AGREEMENT WITH US PAPER, BUT REITERATED BELGIAN VIEW THAT PAPER SHOULD MENTION MONETARY DISORDER WHICH JEOPARDIZES CREDIBILITY OF WESTERN SYSTEM (REFTEL). HE SAID RECENT ECONOMIC PROJECTIONS BY EEC WERE MORE PESSIMISTIC THAN THOSE OF OECD. AS TO SCHEME OF STUDY, HE SAID BELGIAN SUPPORTS FACTUAL APPROACH OF US PAPER AND WOULD NOT FAVOR SPECULATION BEYOND 1975 AS SUGGESTED BY NETHERLANDS. BELGIAN REP SUGGESTED MOST INTERESTED MEMBERS OF ECONOMIC COMMITTEE MEET AS WORKING GROUP TO DRAFT REPORT BASED ON US PAPER AND TAKING ACCOUNT OF ANY REVISIONS RESULTING FROM SUBMISSIONS BY OTHER ALLIES. IN DOING SO, HE RECOMMENDED COMMITTEE CONCENTRATE ON FOUR THEMES IN US CONFIDENTIAL

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PAPER: RECESSION, INFLATION, BALANCE OF PAYMENTS, AND PETROLEUM SUPPLY. COMMITTEE AGREED.

5. CANADIAN REP SAID PAPER FROM OTTAWA WOULD BE AVAILABLE WITHIN NEXT FEW DAYS. TURKISH REP SAID HE HOPED TO HAVE DATA FROM ANKARA SO THAT TURKEY COULD BE INCLUDED IN TABLES.
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